# WAL-MART

# Annual Report 1984

*Our people make the difference*

*cover (clockwise from top left):*

*Brian Davidson, stockman, Bonner Springs, Kansas.*

*Louise Lucas, office clerk, DeSoto, Texas.*

*Margaruite Brocchus, department manager, ladies wear, Joplin, Missouri; a 12-year Wal-Mart associate.*

# Contents

# Financial Highlights

## Five-Year Financial Review

*(Dollar amounts in thousands except per share data)*

| | Fiscal years ended January 31, | | | | |
|---|---|---|---|---|---|
| | 1984 | 1983 | 1982 | 1981 | 1980 |
| Number of stores in operation at the end of the year | 642 | 551 | 491 | 330 | 276 |
| Net sales | $4,666,909 | $3,376,252 | $2,444,997 | $1,643,199 | $1,248,176 |
| Income before income taxes | 357,147 | 224,556 | 148,737 | 99,279 | 74,288 |
| Net income | 196,244 | 124,140 | 82,794 | 55,682 | 41,151 |
| Net income per share: Primary and Fully diluted | 1.40 | .91* | .63* | .43* | .33* |
| Current assets | 1,005,567 | 720,537 | 589,161 | 345,204 | 266,617 |
| Current liabilities | 502,763 | 347,318 | 339,961 | 177,601 | 170,221 |
| Working capital | 502,804 | 373,219 | 249,200 | 167,603 | 96,396 |
| Current ratio | 2.00 | 2.07 | 1.73 | 1.94 | 1.57 |
| Common shareholders' equity | 737,503 | 488,109 | 323,942 | 248,309 | 164,844 |
| Common stock outstanding at January 31 | 139,915,694 | 134,423,088* | 129,679,824* | 129,369,780* | 120,970,088* |

**Adjusted to reflect the 100% stock dividend paid July 8, 1983, to holders of Wal-Mart common stock.*

## Market Price of Common Stock*

| | Fiscal years ended January 31, | | | |
|---|---|---|---|---|
| | 1984 | | 1983 | |
| Quarter | High | Low | High | Low |
| April 30 | $31.56 | $23.25 | $13.25 | $ 9.97 |
| July 31 | 45.13 | 30.44 | 14.44 | 12.03 |
| October 31 | 44.38 | 37.13 | 20.07 | 12.50 |
| January 31 | 44.13 | 33.75 | 26.88 | 19.75 |

## Dividends Paid Per Share of Common Stock*

Fiscal years ended January 31,

| 1984 | | 1983 | |
|---|---|---|---|
| Quarterly | | Quarterly | |
| April 12 | $.035 | April 9 | $.0225 |
| July 8 | .035 | July 9 | .0225 |
| October 4 | .035 | October 5 | .0225 |
| January 4 | .035 | January 4 | .0225 |

**Per share data prior to July 8, 1983, have been adjusted to reflect the 100% common stock dividend paid on that date.*

*Executive Management Committee: (seated, from left) James L. Walton, Jack Shewmaker, Sam M. Walton, Paul R. Carter; (standing, from left) Thomas Jefferson, Donald G. Soderquist, Thomas P. Seay, S. Robson Walton, A. L. Johnson, David D. Glass*

# To Our Shareholders

For Wal-Mart Stores, Inc., fiscal 1984 was a year of outstanding performance and continued growth in all major areas of our business. We set many new records; among them were:

- Sales of $4.667 billion, an increase of 38% over $3.376 billion from the preceding year.
- Net income of $196 million, an increase of 58% over $124 million from last year.
- Earnings per share of $1.40, an increase of 54% over $.91 from fiscal 1983.

During this past year, we concentrated on a philosophy we have practiced since our Company was founded: control expenses to the maximum degree possible, consistent with prompt and courteous customer service, in order to offer our customers quality merchandise at the lowest possible price every day of the year. Our gross profit on sales was reduced as a percentage of sales to 26.8% from 27.2% in the prior year. To compensate for this gross profit reduction, our operating expenses (including interest expense) were reduced from 21.2% of sales in fiscal 1983 to 19.9% of sales in fiscal 1984. Never before have all our associates worked in a more concerted manner than we have in our expense control efforts. The results speak loudly: net profit as a percentage of sales was the highest ever attained by Wal-Mart, 4.2% of sales this year compared with 3.7% last year.

A major contributor to the increased profitability this past year was the persistent attention directed to inventory management, which improved the store inventory turnover rate to 4.5 turns from 3.9 turns in the preceding year. A large number of actions must occur throughout the Company to accomplish this dramatic improvement. Lapsed time from order date to receipt date must be reduced, service levels in the warehouses must be increased, inventory levels must be contained at a rate of increase less than that of sales, while, at the same time, in-stock positions in stores must be improved. These actions were accomplished last year, and we are striving for further turnover improvement in the new year.

Another measurement of the success of our overall program is the 15% sales increase in comparable stores, which follows an 11% increase in the preceding year. This level of sales increase in our more established stores indicates we successfully increased market share in many of our trade areas.

During 1983, our Company opened 91 new Wal-Mart stores, three new Sam's Wholesale Clubs and one dot Discount Drug store. While a great deal of effort is expended on our new-store program, we continue to monitor existing stores to ensure they are properly sized and positioned in their markets and are maintained at the high standards which our customers have come to expect. During the year 24 stores were expanded or relocated and 25 additional stores were remodeled. We began the year with 27,728,000 square feet of retail space; the above additions for new stores of 6,061,000 square feet plus the net additions for relocations and expansions of 564,000 square feet bring the year-end square footage to 34,353,000, an increase of 24%.

The Company's financial position was benefited by strong profit production and by conversion to equity of the outstanding $60 million convertible subordinated debentures. These debentures were called for redemption on December 1, 1983, and all debentures (with the exception of $45,000) were converted into common stock prior to the redemption date. The net income, net of dividends, plus the conversion of the debentures, have raised common stockholders' equity to $738 million from $488 million a year earlier, an increase of 51%. The significantly improved level, at year-end, of our cash and short-term investments bodes well for the year ahead. We will continue to require short-term borrowings to support seasonal inventory buildups, but the borrowings should be at reduced levels and for shorter periods. Also, we should be able to fund internally our current growth plans, excluding financing arrangements for real estate (stores and distribution centers). Several ratios attest to the overall financial strength of the Company. The long-term debt (including obligations under capital leases)-to-equity ratio at year-end was .52:1 compared with .67:1 a year earlier. Return on stockholders' equity (beginning-of-the-year balance) for the most recent year was 40.2%, the highest level attained in many years.

Development of people-supportive systems remains a high priority throughout our Company. In 1983, we completed the project, which was begun a year earlier, of upgrading in-store, backroom computers in all stores. We demonstrated our commitment to electronic scanning of the UPC (Uniform Product Code) at point-of-sale by the expansion of our test to 25 stores with plans to add at least 70 additional scanning stores in the new year. To assist our pharmacists in providing better service to our customers, we have installed computers and developed systems for several pharmacies. This project will also be expanded this year. In response to the numerous and varied merchandise requirements in our expanding trade territory, we have embarked on the development of a regional merchandising system which provides the unique merchandising characteristics of stores and groups of stores. We shall continue to search for the best means of supporting our people through innovative and forward-looking systems.

The impressive results of this past year were accomplished in a period of improving, but unsettled, economy. Inflation and unemployment, although trending down, remain at high levels, and interest rates are excessive. New consumer attitudes and lifestyles have evolved from these economic conditions and have created a different marketplace in which we conduct our business. Interestingly, our time-proven philosophy of offering our customers the best value (good quality at the lowest price) in town is even more appealing in this changing marketplace. Our plan is to make our stores continuing testimonials to the sign on the front of every store: "WE SELL FOR LESS."

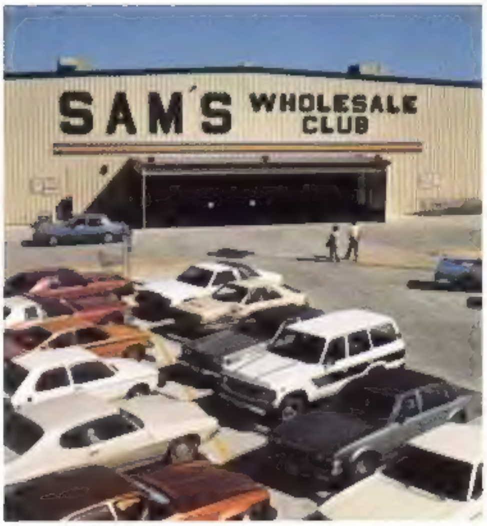
Our growth plans for 1984 are aggressive—approximately 105 new Wal-Mart stores and six additional Sam's Wholesale Club units. Further, we have just begun construction of a new 600,000-square-foot distribution center in Mount Pleasant, Iowa, to better service our expanding northern trade territory. Our program of enlarging or relocating our older units will include about 25 stores this year. Sales trends for the early months of fiscal 1985 are encouraging and reinforce our plans for increasing sales this year by $1.5 billion to approximately $6 billion.

The fact that we achieved the records we did in 1983 at the lowest expense ratio in many years testifies to the commitment and skills of our 62,000 dedicated associates. Our successful growth over the years is directly attributable to their ideas, suggestions, enthusiasm and hard work. We appreciate the partnership we have developed with our associates, suppliers and shareholders, and not only do we share a great pride in our joint accomplishments, we also look forward to our future growth together. The fundamentals of our Company have never been stronger and our opportunities have never been brighter.

Respectfully,

Sam M. Walton
Sam M. Walton
Chairman of the Board and
Chief Executive Officer

Jack Shewmaker
President and
Chief Operating Officer




# Company Profile

With sales of $4.7 billion (up from $3.4 billion a year ago) and earnings of $196 million (up from $124 million in the prior year), Wal-Mart remains the fastest-growing major retailer in the country. The Company opened 91 new Wal-Mart stores, three Sam's Wholesale Club warehouses and one trial dot Discount Drug store during the past year. At January 31, 1984, 642 Wal-Mart stores were in operation (see map on page 27 for location of stores by state).

While Wal-Mart Stores, Inc., had its beginnings in the small-town variety store business in 1945, when Sam M. Walton opened his first Ben Franklin franchise operation in Newport, Arkansas, the Company did not open its first discount department store until November 1962. Prior to opening their first discount operation, Sam M. Walton and his brother J. L. "Bud" Walton operated a group of Ben Franklin variety stores which were to serve as the basis for a chain of quality retail discount department stores in small-town America.

Wal-Mart stores are located primarily in small towns, although in recent years an increasing number of stores are being opened in and around metropolitan areas within the chain's 19-state regional trade territory. The trading market for most stores covers large rural areas, and Wal-Mart stores are designed to be one-stop shopping centers which provide a wide assortment of quality merchandise to satisfy most of the clothing, home, recreational and convenience needs of the family. Stores range in size, generally from 30,000 to 100,000 square feet of building area, with the average unit covering almost 53,000 square feet.

A strategically-located network of six distribution facilities, essential to the efficient operation of discount department stores, assures a constant flow of merchandise to the stores. These facilities process approximately 81% of the merchandise sold in the stores.

The most important aspect of the Company is the performance of its people. Wal-Mart employs approximately 62,000 associates who are partners in the business. Through their efforts and dedication, the Company has been able consistently to produce excellent results. This report recognizes all Wal-Mart associates who have and will continue to make the difference.

Wal-Mart is dedicated to a philosophy of continuing, controlled, profitable growth. The Company's compound annual rate of growth during the past 10 years has been 39% in sales and 47% in profitability.


WAL-MART
DISCOUNT CITY
WE SELL FOR LESS


WAL-MART


# Operating Review

Every Wal-Mart associate is dedicated to the slogan: "My job is to save you time and money." The accompanying pictures tell the story of how all associates, from the greeter at the front door to the invoice clerk, warehouseman, stockman, etc., and finally to the checkout clerk, join together to save our customers time and money. Most of our store associates have contact with customers and can serve most directly those customers' needs. However, all associates—accounting clerks, buyers, data processing operators, truck drivers, lawyers and others in support functions—have an impact on our customers by improving systems and productivity, which in turn reduce our expenses and feed the cycle that permits Wal-Mart to sell quality merchandise at the lowest price in town every day of the year.

The Company takes pride in its stores—bright, clean shopping centers with broad assortments of quality merchandise conveniently displayed and a level of friendly customer service beyond that normally associated with a self-service discount department store operation. These stores are serviced from a somewhat Spartan general office complex in Bentonville, Arkansas, overflowing with associates supporting a cost consciousness unequalled in our industry today. Substantiating this statement is an annual report from Cornell University, commissioned by

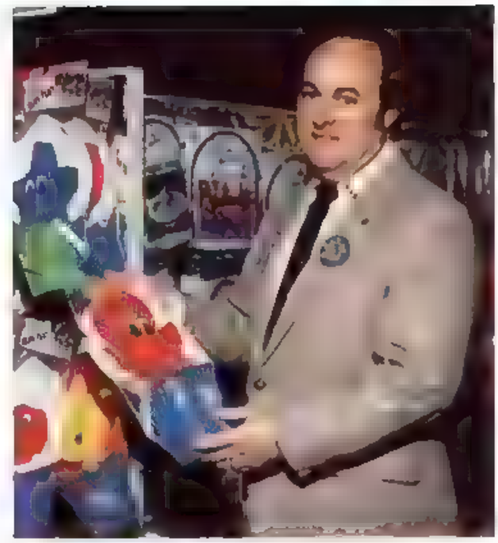

*"Welcome to Wal-Mart" is the message door greeters like Kelli Hill of Bartlesville, Oklahoma, use to make customers feel comfortable.*

*"Customers comment on our great choice of fabrics and the fact that we're always ready with a smile to help them out." Georgia Briggs, department manager, fabrics, Bartlesville, Oklahoma; an eight-year Wal-Mart associate.*

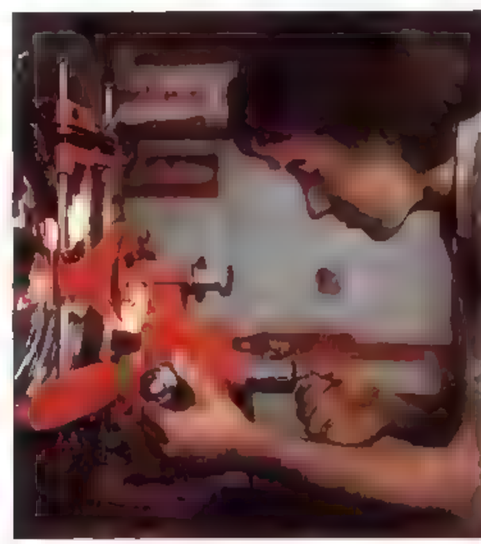
*Kurt Simrell and Cesar Ruiz are part of the team that makes Bentonville Distribution Center #4 a smooth operation.*


*"Wal-Mart has the best selection anywhere for all my family's needs." Judy Ranbo with children Dena and Jonathan, Grapevine, Texas.*

*"Wal-Mart associates work together like a family, and we try to convey that feeling to our customers in making sure they leave happy." Janice Dodge, service desk clerk, Joplin, Missouri.*

*Bob Buice, district manager for stores in parts of South Carolina and Georgia, supports the Wal-Mart philosophy of "quality merchandise, at the best price, with satisfaction guaranteed."*



*Mechanics like Danny O'Hara, Parsons, Kansas, provide automotive service at prices Wal-Mart customers appreciate.*

*Max Cole, pharmacist in Bonner Springs, Kansas, enjoys counseling customers in Wal-Mart's friendly atmosphere.*

*"The customer is our reason for being; we believe in a good in-stock inventory of sized, styled and coordinated merchandise." Leroy Branion, assistant manager, softlines, Joplin, Missouri.*

the National Mass Retailing Institute, which ranks discount retailers on various aspects of their earnings. Wal-Mart's expense structure, measured as a percentage of sales, continues to be among the lowest in the industry. Further recognition of the quality and consistency of earnings was reported in the January 1984 issue of *Forbes* magazine in its 36th Annual Report on American Industry, which ranked Wal-Mart first among all general retailers (including department stores, discount and variety stores) in the four reported five-year average measurements of profitability and growth: return on equity, return on total capital, sales growth and growth in earnings per share.

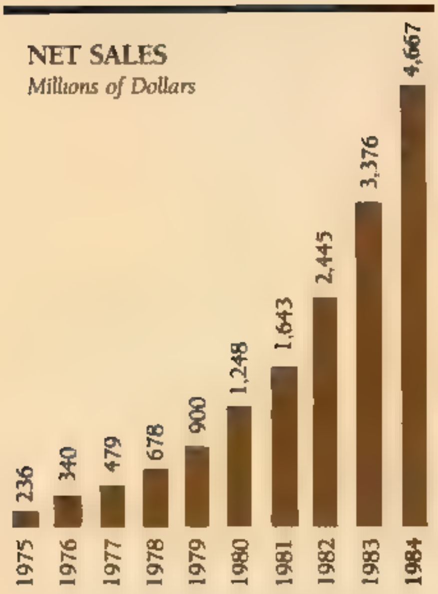
Clearly, the most important assets of the Company are the 62,000 full- and part-time associates who have the responsibility of meeting the needs of our millions of customers. In carrying out this responsibility, each associate must be knowledgeable about events throughout the Company. This is accomplished principally through a grass-roots management style which encourages open communication at all levels, aided by various training programs, an in-house newspaper and numerous programs designed to motivate and recognize individual accomplishments. Partnership with our associates is enhanced through two benefit programs, which over the years have produced dramatic returns for the participants. Most associates become participants in the Profit Sharing Plan after their first year of employment. The Plan is funded by the Company on a formula basis which provides for contributions (as a percentage of participants' wages) to increase as the Company's pre-tax profits increase as a percentage of sales. Also, all full-time associates can elect to purchase Company stock through payroll withholding, with partially matching funds provided by the Company. Almost half of the associates eligible to buy stock through the Plan are participating. The Company takes great pride in the partnership formed with its associates.

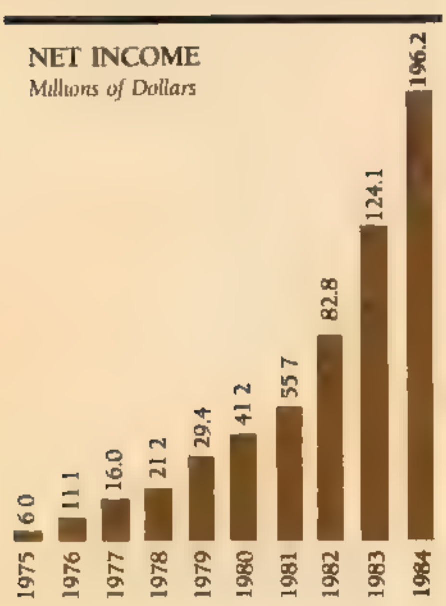
Providing value to our customers is the number-one objective of all Wal-Mart associates. This value results from low prices and good-quality merchandise, and it also relates to the overall store environment. Customer convenience and shopping comfort are important ingredients of value. From site selection to interior layout, Wal-Mart stores are designed to make shopping as easy and efficient as possible. Locations are selected on the basis of convenience and easy access. Inside the store, departments are located adjacent to related areas in a manner facilitating self-service. Efficient checkout procedures help save the customer's time, as do the guaranteed satisfaction policy, easy use of layaways with no added fees, MasterCard and VISA charge services and customer check-cashing courtesy cards.


*Making the customers happy so they'll come back is what it's all about, says Ruth Wilkinson, cashier in Parsons, Kansas.*

In looking to the future, the Company continues to strive for improvement in its merchandising and operating methods through innovative and thoughtful experimentation. Illustrative of this approach during 1983 was the opening of several different test vehicles in discount retailing. Sam's Wholesale Club, a wholesale membership store, designed to operate at a very low gross margin, has proven to be a successful format for the larger metropolitan markets in our trade territory and will be a planned aspect of our future growth. A deep-discount pharmacy outlet, dot Discount Drug, was opened late in the year, and the results of this operation will continue to be monitored for determination of the merit of this test. These experiments not only produce viable new approaches to discount retailing for Wal-Mart; they also produce ideas applicable to existing Wal-Mart stores. The single limiting factor to the constant experimentation throughout the Company is that no short-term benefits shall be pursued unless they enhance the long-term strength and profitability of the Company.

# Management's Discussion and Analysis




## Fiscal years ended January 31, 1984, 1983 and 1982

### Results of operations

Sales for the three years and the respective total and comparable store percentage sales increases over the prior year were:

| Fiscal years ended January 31, | Sales | Total company percent increases | Comparable stores percent increases |
|---|---|---|---|
| 1984 | $4,666,909,000 | 38% | 15% |
| 1983 | 3,376,252,000 | 38 | 11 |
| 1982 | 2,444,997,000 | 49 | 15 |

Sales increases were due primarily to the improved productivity of comparable stores, the contributions of new stores (91 opened in fiscal 1984, 66 in 1983 and 69 in 1982), the acquisition in August 1981 of the 92-store Kuhn's-Big K Stores Corp. and inflation (estimated at 3% in fiscal 1984 and 1983, and 5% in 1982). The impact of inflation and changing prices on results of operations is presented in Note 10 of Notes to Consolidated Financial Statements.

The consistency of operating results is demonstrated in the following table, which reports revenues (other than sales) and costs as percentages of sales:

| | Fiscal years ended January 31, | | |
|---|---|---|---|
| | 1984 | 1983 | 1982 |
| Revenues (other than sales) | .8% | .7% | .7% |
| Cost of sales | 73.2 | 72.8 | 73.1 |
| Operating, selling and general and administrative expenses | 19.1 | 20.1 | 20.2 |
| Interest costs | .8 | 1.1 | 1.3 |
| Provision for income taxes | 3.5 | 3.0 | 2.7 |
| Net income | 4.2 | 3.7 | 3.4 |

Cost of sales, expressed as a percentage of sales, increased in fiscal 1984 compared with 1983 primarily related to a reduced initial markon supporting the Company's emphasis on everyday low prices.

Cost of sales decreased in fiscal 1983 compared with 1982, principally the result of declining inflation as reflected through the Company's LIFO provision. The decline in the LIFO adjustment was partially offset by an increased rate of shrinkage and markdowns in comparing fiscal 1983 with 1982.

Improved productivity and expense consciousness throughout the Company reduced operating, selling and general and administrative expenses, as a percentage of sales, by 1.0% during fiscal 1984. Expense control programs contained expenses at a relatively constant rate during the preceding two years.

Interest costs related to debt declined by .5% of sales during fiscal 1984 following a decrease of .1% of sales in 1983. The decline in each of the two most recent years results primarily from reduced borrowings, combined with lower weighted-average interest rates. See Note 4 of Notes to Consolidated Financial Statements for additional information on interest and debt. The portion of interest costs attributable to capital leases remained relatively constant as a percentage of sales during the three-year period.

The effective tax rate was 45.1% in fiscal 1984, 44.7% in 1983 and 44.3% in 1982. The increasing rate during the past two years is primarily the result of a lower level of tax credits as a percentage of taxable income.

## Liquidity and capital resources

### Fiscal 1984

Funds from current operations, $254,778,000 in fiscal 1984, are the Company's primary source of liquidity. These funds are used to finance capital expenditures and, to a lesser extent, to pay dividends and provide general working capital. Because of the seasonal buildups in merchandise inventories and the interim financing requirements for store properties developed under sale/leaseback arrangements, the Company maintains lines of credit for short-term borrowings. At January 31, 1984, Wal-Mart had access to $323 million of unused short-term bank borrowings plus an additional $150 million credit line to support the issuance of commercial paper.

Wal-Mart opened 91 new stores during fiscal 1984. The Company finances real estate through sale/leaseback arrangements, industrial development bonds (either through lease or secured loan transactions) or leases from real estate developers. Capital expenditures of $110.5 million, excluding leased properties, were incurred in fiscal 1984 and were financed through internally-generated funds.

The Company's profit performance coupled with the conversion into common stock of the $60 million debentures served to reduce the debt (including obligations under capital leases)-to-equity ratio from 67:1 at the end of fiscal 1983 to .52:1 at the end of fiscal 1984.

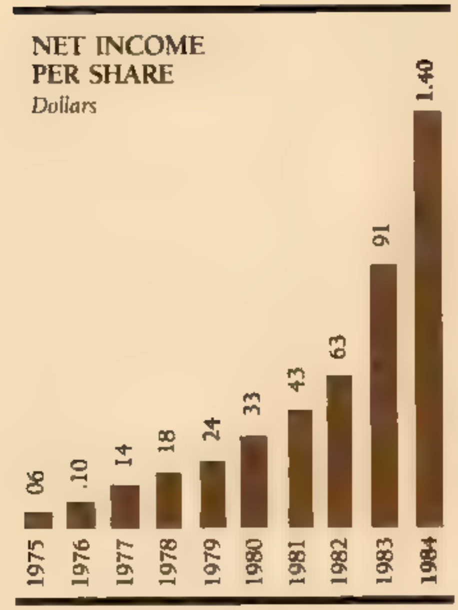
Capital expenditures planned for fiscal 1985, excluding leased properties, are approximately $130 million. These expenditures for fixtures, equipment, leasehold improvements and store expansions will be financed from internally-generated funds. In addition, the Company plans to open approximately 105 Wal-Mart stores, six Sam's Wholesale Club units and one distribution facility in fiscal 1985, most of which will be financed through sale/leaseback arrangements, industrial development bonds or real estate developers and will require approximately $200 million in lease financing.

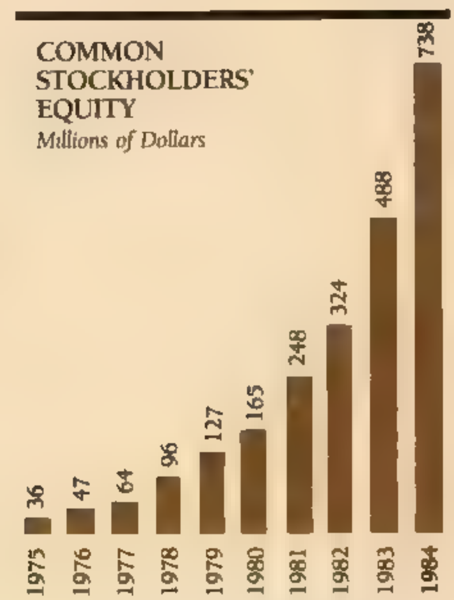
The Company's Board of Directors has increased the cash dividend on common stock for the first quarter of fiscal 1985 to 5.25 cents per share from 3.5 cents.

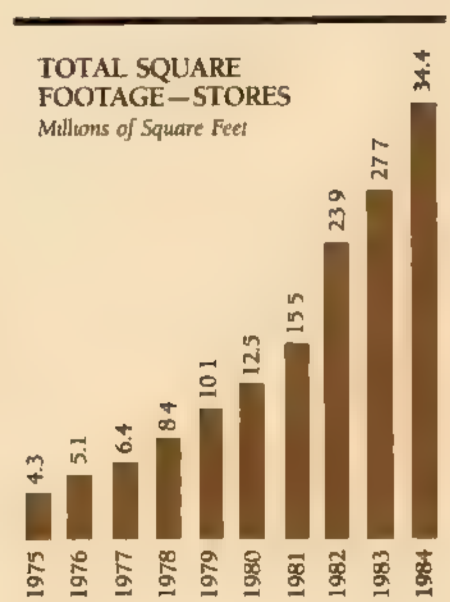
### Fiscal 1983

Funds generated from operations were $169,816,000. The Company had access to $305 million in unused lines of credit for short-term bank borrowings and an additional $150 million credit line to support the issuance of commercial paper at January 31, 1983.

Additions to property, plant and equipment totaled $85.6 million, excluding leased store properties, and were financed through a combination of internally-generated funds and proceeds of $49 million from a common stock offering. The debt-to-equity ratio decreased in fiscal 1983 to .67:1 from .80:1 at the end of the preceding year.



# Ten-Year Financial Summary

**Wal-Mart Stores, Inc. and Subsidiaries**
*(Dollar amounts in thousands except per share data)*

| EARNINGS | 1984 | 1983 |
|---|---|---|
| Net sales | $4,666,909 | $3,376,252 |
| Licensed department rentals and other income - net | 36,031 | 22,435 |
| Cost of sales | 3,418,025 | 2,458,235 |
| Operating, selling and general and administrative expenses | 892,887 | 677,029 |
| Interest costs: | | |
| Debt | 4,935 | 20,297 |
| Capital leases | 29,946 | 18,570 |
| Taxes on income | 160,903 | 100,416 |
| Net income | 196,244 | 124,140 |
| Per share of common stock: | | |
| Net income | | |
| Primary* | 1.40 | .91 |
| Fully diluted* | 1.40 | .91 |
| Dividends* | .14 | .09 |
| Stores in operation at the end of the period | 642 | 551 |

| FINANCIAL POSITION | 1984 | 1983 |
|---|---|---|
| Current assets | $1,005,567 | $ 720,537 |
| Net property, plant, equipment and capital leases | 628,151 | 457,509 |
| Total assets | 1,652,254 | 1,187,448 |
| Current liabilities | 502,763 | 347,318 |
| Long-term debt | 40,866 | 106,465 |
| Long-term obligations under capital leases | 339,930 | 222,610 |
| Preferred stock with mandatory redemption provisions | 6,411 | 6,861 |
| Common stockholders' equity | 737,503 | 488,109 |

| FINANCIAL RATIOS | 1984 | 1983 |
|---|---|---|
| Current ratio | 2.0 | 2.1 |
| Inventories/working capital | 1.5 | 1.5 |
| Return on assets*** | 16.5 | 13.2 |
| Return on stockholders' equity*** | 40.2 | 38.3 |

*All per share data prior to 1984 have been adjusted to reflect the 100% stock dividend paid July 8, 1983, to holders of Wal-Mart common stock.*

***The Company adopted the LIFO method of costing inventories in 1975, which resulted in a reduction in net income of $2,347,000, or $.0225 per share*

****On beginning of year balances.*

| 1982 | 1981 | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 |
|---|---|---|---|---|---|---|---|
| $2,444,997 | $1,643,199 | $1,248,176 | $ 900,298 | $ 678,456 | $ 478,807 | $ 340,331 | $ 236,209 |
| 17,650 | 12,063 | 10,092 | 9,615 | 7,767 | 5,393 | 3,803 | 2,478 |
| 1,787,496 | 1,207,802 | 919,305 | 661,062 | 503,825 | 352,669 | 251,473 | 176,591 |
| 495,010 | 331,524 | 251,616 | 182,365 | 134,718 | 95,488 | 66,427 | 46,618 |
| 16,053 | 5,808 | 4,438 | 3,119 | 2,068 | 1,680 | 1,758 | 1,800 |
| 15,351 | 10,849 | 8,621 | 6,595 | 4,765 | 3,506 | 2,419 | 2,157 |
| 65,943 | 43,597 | 33,137 | 27,325 | 19,656 | 14,818 | 10,925 | 5,526 |
| 82,794 | 55,682 | 41,151 | 29,447 | 21,191 | 16,039 | 11,132 | 5,995** |
| .63 | .43 | 33 | .24 | .19 | .15 | .10 | 06** |
| 63 | 43 | 33 | .24 | .18 | .14 | .10 | .06** |
| 065 | 05 | .038 | .028 | .02 | .011 | 008 | .007 |
| 491 | 330 | 276 | 229 | 195 | 153 | 125 | 104 |
| $ 589,161 | $ 345,204 | $ 266,617 | $ 191,860 | $ 150,986 | $ 99,493 | $ 76,070 | $ 55,860 |
| 333,026 | 245,942 | 190,562 | 131,403 | 100,550 | 68,134 | 48,744 | 43,409 |
| 937,513 | 592,345 | 457,879 | 324,666 | 251,865 | 168,201 | 125,347 | 99,473 |
| 339,961 | 177,601 | 170,221 | 98,868 | 74,891 | 43,289 | 33,953 | 27,076 |
| 104,581 | 30,184 | 24,862 | 25,965 | 21,489 | 19,158 | 17,531 | 11,132 |
| 154,196 | 134,896 | 97,212 | 72,357 | 59,003 | 41,190 | 26,534 | 25,069 |
| 7,438 | — | — | — | — | — |  | — |
| 323,942 | 248,309 | 164,844 | 127,476 | 96,482 | 64,417 | 47,195 | 36,050 |
| 1 7 | 1.9 | 1.6 | 1 9 | 2.0 | 2.3 | 2 2 | 2.1 |
| 2 0 | 1.7 | 2.4 | 1 9 | 1 8 | 1.6 | 1.5 | 1.8 |
| 14 0 | 12.2 | 12.7 | 11.7 | 12.6 | 12.8 | 11.2 | 7.9 |
| 33 3 | 33 8 | 32 3 | 30 5 | 32.9 | 34 0 | 30 9 | 19 8 |

# Consolidated Statements of Income

**Wal-Mart Stores, Inc. and Subsidiaries**
*(Dollar amounts in thousands except per share data)*

| | Fiscal years ended January 31, | | |
|---|---|---|---|
| | 1984 | 1983 | 1982 |
| **Number of stores in operation at the end of the year** | 642 | 551 | 491 |
| **Revenues:** | | | |
| Net sales | $4,666,909 | $3,376,252 | $2,444,997 |
| Rentals from licensed departments | 10,175 | 7,335 | 4,986 |
| Other income - net | 25,856 | 15,100 | 12,664 |
| | 4,702,940 | 3,398,687 | 2,462,647 |
| **Costs and expenses:** | | | |
| Cost of sales | 3,418,025 | 2,458,235 | 1,787,496 |
| Operating, selling and general and administrative expenses | 892,887 | 677,029 | 495,010 |
| Interest costs: | | | |
| Debt | 4,935 | 20,297 | 16,053 |
| Capital leases | 29,946 | 18,570 | 15,351 |
| | 4,345,793 | 3,174,131 | 2,313,910 |
| **Income before income taxes** | 357,147 | 224,556 | 148,737 |
| **Provision for federal and state income taxes:** | | | |
| Current | 152,207 | 86,752 | 56,923 |
| Deferred | 8,696 | 13,664 | 9,020 |
| | 160,903 | 100,416 | 65,943 |
| **Net income** | $ 196,244 | $ 124,140 | $ 82,794 |
| **Net income per share:** | | | |
| Primary and fully diluted | $1.40 | $.91* | $.63* |

**Adjusted to reflect the 100% common stock dividend paid on July 8, 1983.*

*See accompanying notes.*

# Consolidated Balance Sheets

**Wal-Mart Stores, Inc. and Subsidiaries**
*(Dollar amounts in thousands)*

| ASSETS | January 31, 1984 | January 31, 1983 |
|---|---|---|
| **Current assets:** | | |
| Cash | $ 8,500 | $ 8,265 |
| Short-term money market investments | 148,360 | 25,017 |
| Receivables | 38,795 | 33,496 |
| Recoverable costs from sale/leaseback | 67,645 | 93,658 |
| Inventories | 735,395 | 555,702 |
| Prepaid expenses | 6,872 | 4,399 |
| TOTAL CURRENT ASSETS | 1,005,567 | 720,537 |
| **Property, plant and equipment, at cost:** | | |
| Land | 16,771 | 16,625 |
| Buildings and improvements | 132,439 | 102,765 |
| Fixtures and equipment | 245,851 | 178,712 |
| Transportation equipment | 24,843 | 23,381 |
| | 419,904 | 321,483 |
| Less accumulated depreciation | 102,259 | 71,330 |
| Net property, plant and equipment | 317,645 | 250,153 |
| Property under capital leases | 363,015 | 246,045 |
| Less accumulated amortization | 52,509 | 38,689 |
| Net property under capital leases | 310,506 | 207,356 |
| **Other assets and deferred charges** | 18,536 | 9,402 |
| Total assets | $1,652,254 | $1,187,448 |

| LIABILITIES AND STOCKHOLDERS' EQUITY | 1984 | 1983 |
|---|---|---|
| **Current liabilities:** | | |
| Accounts payable | $ 321,830 | $ 205,027 |
| Accrued liabilities: | | |
| Salaries | 30,824 | 20,010 |
| Taxes, other than income | 25,187 | 18,398 |
| Other | 65,954 | 47,401 |
| Accrued federal and state income taxes | 51,546 | 44,202 |
| Long-term debt due within one year | 1,443 | 7,680 |
| Obligations under capital leases due within one year | 5,979 | 4,600 |
| TOTAL CURRENT LIABILITIES | 502,763 | 347,318 |
| **Long-term debt** | 40,866 | 106,465 |
| **Long-term obligations under capital leases** | 339,930 | 222,610 |
| **Deferred income taxes** | 24,781 | 16,085 |
| **Preferred stock with mandatory redemption provisions** | 6,411 | 6,861 |
| **Common stockholders' equity:** | | |
| Common stock | 13,992 | 6,721 |
| Capital in excess of par value | 183,558 | 118,034 |
| Retained earnings | 539,953 | 363,354 |
| TOTAL COMMON STOCKHOLDERS' EQUITY | 737,503 | 488,109 |
| **Total liabilities and stockholders' equity** | $1,652,254 | $1,187,448 |

*See accompanying notes.*

# Consolidated Statements of Common Stockholders' Equity

**Wal-Mart Stores, Inc. and Subsidiaries**

*(Amounts in thousands)*

| | Number of shares | Common stock | Capital in excess of par value | Retained earnings | Total |
|---|---|---|---|---|---|
| **Balance - January 31, 1981** | 32,342 | $ 3,234 | $ 67,481 | $177,594 | $248,309 |
| Net income | | | | 82,794 | 82,794 |
| Cash dividends. | | | | | |
| Common stock ($.065 per share*) | | | | (8,418) | (8,418) |
| Preferred stock ($.44 per share) | | | | (131) | (131) |
| Accretion of preferred stock redemption premium | | | | (51) | (51) |
| Exercise of stock options | 76 | 7 | 144 | | 151 |
| Tax benefit from stock options | | | 1,208 | | 1,208 |
| Conversion of preferred stock | 2 | 1 | 79 | | 80 |
| **Balance - January 31, 1982** | 32,420 | 3,242 | 68,912 | 251,788 | 323,942 |
| Net income | | | | 124,140 | 124,140 |
| Cash dividends: | | | | | |
| Common stock ($.09 per share*) | | | | (11,884) | (11,884) |
| Preferred stock ($2.00 per share) | | | | (592) | (592) |
| Accretion of preferred stock redemption premium | | | | (98) | (98) |
| Exercise of stock options | 80 | 8 | 162 | | 170 |
| Conversion of preferred stock | | | 7 | | 7 |
| 100% common stock dividend | 32,500 | 3,250 | (3,250) | | — |
| Sale of common stock | 2,000 | 200 | 49,008 | | 49,208 |
| Exercise of stock options | 177 | 18 | 610 | | 628 |
| Tax benefit from stock options | | | 1,807 | | 1,807 |
| Conversion of preferred stock | 30 | 3 | 663 | | 666 |
| Conversion of convertible subordinated debentures | 4 | | 115 | | 115 |
| **Balance - January 31, 1983** | 67,211 | 6,721 | 118,034 | 363,354 | 488,109 |
| Net income | | | | 196,244 | 196,244 |
| Cash dividends: | | | | | |
| Common stock ($ 14 per share*) | | | | (19,033) | (19,033) |
| Preferred stock ($2 00 per share) | | | | (528) | (528) |
| Accretion of preferred stock redemption premium | | | | (84) | (84) |
| Exercise of stock options | 130 | 13 | 377 | | 390 |
| Conversion of preferred stock | 1 | | 21 | | 21 |
| Conversion of convertible subordinated debentures | 52 | 5 | 1,352 | | 1,357 |
| 100% common stock dividend | 67,394 | 6,739 | (6,739) | | — |
| Exercise of stock options | 602 | 61 | 409 | | 470 |
| Tax benefit from stock options | | | 11,517 | | 11,517 |
| Conversion of preferred stock | 45 | 5 | 509 | | 514 |
| Conversion of convertible subordinated debentures | 4,481 | 448 | 57,008 | | 57,456 |
| Other | | | 1,070 | | 1,070 |
| **Balance - January 31, 1984** | 139,916 | $13,992 | $183,558 | $539,953 | $737,503 |

**Cash dividends on common stock prior to July 8, 1983, have been adjusted to reflect the 100% common stock dividend paid on that date*

 *See accompanying notes*

# Consolidated Statements of Changes in Financial Position

**Wal-Mart Stores, Inc. and Subsidiaries**

*(Dollar amounts in thousands)*

| | Fiscal years ended January 31, | | |
|---|---|---|---|
| **Source of funds:** | 1984 | 1983 | 1982 |
| Current operations: | | | |
| Net income | $196,244 | $124,140 | $ 82,794 |
| Items not affecting working capital in current period: | | | |
| Depreciation and amortization | 49,838 | 36,986 | 26,353 |
| Deferred income taxes | 8,696 | 8,690 | 6,040 |
| Total from current operations | 254,778 | 169,816 | 115,187 |
| Net proceeds from exercise of options, sale of common stock, conversion of preferred stock and conversion of subordinated debentures | 72,795 | 52,601 | 1,439 |
| Additions to long-term debt | 2,954 | 6,743 | 61,647 |
| Additions to long-term obligations under capital leases | 124,851 | 76,951 | 24,447 |
| Preferred stock issued in acquisition of Kuhn's-Big K Stores Corp. | — | — | 7,507 |
| Reduction in other assets | 1,342 | 9,218 | — |
| Other | 8,618 | 5,166 | 3,613 |
| | 465,338 | 320,495 | 213,840 |
| **Application of funds:** | | | |
| Acquisition of Kuhn's-Big K Stores Corp.: | | | |
| Property, plant and equipment | — | — | 15,389 |
| Other assets | — | — | 6,367 |
| Long-term debt | — | — | (17,965) |
| | — | — | 3,791 |
| Additions to property, plant and equipment | 110,454 | 85,589 | 83,735 |
| Additions to property under capital leases | 118,212 | 80,781 | 17,824 |
| Reduction in long-term debt, including changes in current maturities | 68,553 | 7,299 | 5,215 |
| Reduction in long-term lease obligations, including changes in current obligations | 7,531 | 6,097 | 5,147 |
| Preferred stock conversions | 450 | 577 | 98 |
| Dividends paid | 19,645 | 12,574 | 8,600 |
| Additions to other assets and deferred charges | 10,908 | 3,559 | 7,833 |
| | 335,753 | 196,476 | 132,243 |
| **Increase in working capital** | $129,585 | $124,019 | $ 81,597 |
| **Changes in components of working capital:** | | | |
| Increase (decrease) in current assets: | | | |
| Cash | $ 235 | $ 150 | $ 1,188 |
| Short-term money market investments | 123,343 | 23,964 | (10,475) |
| Receivables | 5,299 | 16,517 | 4,313 |
| Recoverable costs from sale/leaseback | (26,013) | 26,444 | 35,889 |
| Inventories | 179,693 | 65,129 | 210,552 |
| Prepaid expenses | 2,473 | (828) | 2,490 |
| | 285,030 | 131,376 | 243,957 |
| Increase (decrease) in current liabilities: | | | |
| Notes and accounts payable and accrued liabilities | 152,959 | (25,409) | 157,196 |
| Accrued federal and state income taxes | 7,344 | 30,495 | 1,800 |
| Long-term debt due within one year | (6,237) | 1,312 | 2,993 |
| Obligations under capital leases | 1,379 | 959 | 371 |
| | 155,445 | 7,357 | 162,360 |
| **Increase in working capital** | $129,585 | $124,019 | $ 81,597 |

*See accompanying notes.*

# Notes to Consolidated Financial Statements

Wal-Mart Stores, Inc. and Subsidiaries

## Note 1 — Accounting policies

**Segment information** — The Company and its subsidiaries are principally engaged in the operation of retail discount stores in a 19-state region. No single customer accounts for a significant portion of its consolidated sales.

**Consolidation** — The consolidated financial statements include the accounts of all subsidiaries.

**Inventories** — Inventories are stated at cost (last-in, first-out), which is not in excess of market, using the retail method for inventories in stores.

**Pre-opening costs** — Costs associated with the opening of new stores are expensed during the first full month of operations. The costs are carried as prepaid expenses prior to the store opening.

**Interest during construction** — In order that interest costs properly reflect only that relating to current operations, interest on borrowed funds during the construction of property, plant and equipment is capitalized. Interest costs capitalized (excluding amounts related to properties developed under sale/leaseback arrangements) are $535,000, $1,643,000 and $926,000 in 1984, 1983 and 1982, respectively.

**Depreciation** — Depreciation for financial statement purposes is provided on the straight-line method over the estimated useful lives of the various assets. For income tax purposes, the accelerated cost recovery system is used for assets placed in service after 1980 and accelerated depreciation is used for assets placed in service in 1980 and prior years with recognition of deferred income taxes for the resulting timing differences.

**Operating, selling and general and administrative expenses** — Buying, warehousing and occupancy costs are included in operating, selling and general and administrative expenses.

**Income taxes** — Investment tax credits are accounted for under the flow-through method.

Deferred income taxes arise from income tax and financial reporting differences with respect to depreciation, capitalized leases and other items.

**Net income per share** — Primary net income per share is based on weighted average outstanding common shares and common share equivalents and stock options reduced by shares assumed to have been purchased from such options under the treasury stock method.

**Stock options** — Proceeds from the sale of common stock issued under the stock option plan and related tax benefits which accrue to the Company are accounted for as capital transactions, and no charges or credits are made to income in connection with the plan.

## Note 2 — Acquisition

Effective August 1, 1981, the Company acquired Kuhn's-Big K Stores Corp. (Big K) through a transaction accounted for as a purchase. Wal-Mart issued 300,295 shares of Series A 8% Cumulative Convertible Preferred Stock with an aggregate stated value of $7,507,000 in exchange for all issued and outstanding stock of Big K.

The results of operations for the year ended January 31, 1982 include sales of $166,280,000 and a net income of $709,000 attributable to operations of the Big K stores for the period of August 1, 1981 through January 31, 1982.

## Note 3 — Inventories

Inventories at January 31, 1984, and January 31, 1983, were $735,395,000 and $555,702,000, respectively. Replacement cost (FIFO vs. LIFO) would be $121,760,000 greater in 1984 and $103,247,000 greater in 1983.

## Note 4 — Notes payable and long-term debt

Information on short-term borrowings and interest rates follows:

| | Fiscal years ended January 31 | | |
|---|---|---|---|
| | 1984 | 1983 | 1982 |
| Amount outstanding at January 31 | — | — | $ 55,469,000 |
| Interest rate at January 31 | — | — | 14.2% |
| Maximum amount outstanding at month-end | $ 86,602,000 | $173,316,000 | $243,216,000 |
| Average daily short-term borrowings | $ 24,748,000 | $117,030,000 | $ 90,595,000 |
| Weighted average interest rate | 9.3% | 13.1% | 15.9% |

At January 31, 1984, the Company had lines of credit to support short-term borrowings with 9 banks in an aggregate of $148,000,000, and informal lines of credit with various other banks totaling $175,000,000. Short-term borrowings against these lines of credit bear interest at or below the prime rate, and certain of the lines of credit require compensating balances or commitment fees. In addition, at January 31, 1984, the Company had back-up lines of credit totaling $150,000,000 to support the issuance of commercial paper.

Long-term debt at January 31 consists of:

| | 1984 | 1983 |
|---|---|---|
| 9⅝% convertible subordinated debentures due 1992 through 2006 | $ — | $ 59,884,000 |
| 12% unsecured notes, due 1983 through 1985 | — | 6,651,000 |
| 9¼% mortgage notes, payable $68,822 quarterly (including interest) to June 1992 | 1,477,000 | 1,609,000 |
| 8¾% 25-year secured notes, payable $244,595 quarterly (including interest) to October 2003 | 9,098,000 | 9,281,000 |
| 9¾% mortgage note due 1984 through 2000 | 7,275,000 | 7,650,000 |
| 9% mortgage note payable $186,140 quarterly (including interest) to March 2008 | 7,228,000 | 7,317,000 |
| 8½% secured notes, payable $121,030 quarterly (including interest) to March 2003 | 4,468,000 | 4,567,000 |
| Tax exempt mortgage obligations at an average rate of 10.0% due 1988 through 2012 | 7,570,000 | 5,920,000 |
| Other | 3,750,000 | 3,586,000 |
| | $ 40,866,000 | $106,465,000 |

Annual maturities on long-term debt during the next five years are:

| Fiscal years ending January 31, | Annual maturity |
|---|---|
| 1985 | $1,443,000 |
| 1986 | 1,237,000 |
| 1987 | 1,299,000 |
| 1988 | 1,390,000 |
| 1989 | 1,461,000 |

The agreements relating to the 9¼% mortgage notes of a subsidiary, which are guaranteed by Wal-Mart Stores, Inc., contain certain restrictions on the subsidiary concerning additional debt, business activities, investments and issuance of its capital stock.

The agreements relating to the 8⅜% and 8½% secured notes of a subsidiary contain certain restrictions on the subsidiary concerning additional debt, business activities, issuance of its capital stock and merger or consolidation with any other corporations.

The convertible debentures were called for redemption during the year. Debentures in the amount of $59,839,000 were converted for 4,585,000 shares of common stock, and debentures in the amount of $45,000 were redeemed.

## Note 5 — Income taxes

Reconciliations of the statutory federal income tax rate to the effective tax rate, as a percent of pre-tax financial income, are as follows:

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| Statutory tax rate | 46.0% | 46.0% | 46.0% |
| Investment tax credits | (2.7) | (3.2) | (3.9) |
| State income taxes | 2.1 | 2.1 | 2.2 |
| Other | (.3) | (.2) | - |
| Effective tax rate | 45.1% | 44.7% | 44.3% |

Investment tax credits resulted in reductions of the current federal income tax provisions for 1984, 1983 and 1982 of $9,675,000, $7,148,000 and $5,806,000, respectively.

The Company at January 31, 1984, had approximately $15,000,000 of net operating loss carryforwards and $420,000 of investment and jobs tax credit carryforwards arising from operations of Big K prior to acquisition. These carryforwards were used during the current year to reduce the current income tax liabilities arising from taxable income of Big K. These tax benefits realized are not reflected in income for financial reporting purposes inasmuch as the acquisition was accounted for as a purchase transaction.

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial reporting purposes with respect to the following:

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| Depreciation | $9,951,000 | $ 6,286,000 | $4,651,000 |
| Capital leases | (3,326,000) | (1,925,000) | (2,942,000) |
| Other | 2,071,000 | 9,303,000 | 7,311,000 |
| | $8,696,000 | $13,664,000 | $9,020,000 |

## Note 6 — Preferred and common stock

**A. Preferred stock with mandatory redemption provisions**

On June 3, 1983, stockholders authorized an increase in the number of shares of preferred stock, par value $.10 per share, from 4,000,000 shares to 25,000,000 shares. At January 31, 1984, 247,909 shares of Series A 8% Cumulative Convertible Preferred Stock were outstanding and 296,278 shares were outstanding at January 31, 1983. The stock has voting rights, a $25.00 per share stated value, a $27.50 liquidation and redemption value and is convertible into 2.2 shares of common stock. As of October 1, 1986, the Company may at its option redeem the preferred stock if the market price of the Wal-Mart common stock is at least 125% of the conversion price for any 10 consecutive trading days within 30 days preceding the redemption date. Commencing December 31, 1986, the Series A Preferred Stock will be subject to a sinking fund which provides for the redemption of all shares over a five-year period.

The preferred stock is traded on the New York Stock Exchange and at January 31, 1984, there were 426 stockholders of record.

**B. Common stock**

On June 3, 1983, the stockholders authorized an increase in the number of shares of common stock, par value $.10 per share, from 86,000,000 shares to 325,000,000 shares. At January 31, 1984, 139,915,694 shares of common stock were issued and outstanding, and at January 31, 1983, 134,423,088 shares (adjusted to reflect the 100% stock dividend paid on July 8, 1983) were issued and outstanding. The common stock is traded on the New York Stock Exchange and at January 31, 1984, there were 14,172 stockholders of record.

At January 31, 1984, 4,384,531 shares of common stock were reserved, including 3,840,871 shares for issuance under the stock option plan and 543,660 shares for the conversion of the Series A Preferred Stock.

The options granted under the stock option plan expire 10 years from date of grant and may be exercised in nine annual installments. Further information concerning the options is as follows.

| | Shares | Option price (market price at date of grant) Per Share | Total |
|---|---|---|---|
| Shares under option | | | |
| January 31, 1983 | 2,090,606 | $ 52-22.94 | $ 7,451,977 |
| Options granted | 273,900 | 25.50-45.13 | 10,332,200 |
| Options canceled | (56,044) | 1.07-22.94 | (229,453) |
| Options exercised | (883,079) | 52-22.94 | (1,643,341) |
| January 31, 1984 (238,623 shares exercisable) | 1,425,383 | $ 52-45.13 | $15,911,383 |
| Shares available for option | | | |
| January 31, 1983 | 2,633,344 | | |
| January 31, 1984 | 2,415,488 | | |

## Note 7 — Licensed department sales

The sales of licensed departments as reported by licensees are $76,835,000, $71,491,000 and $50,532,000 for 1984, 1983 and 1982, respectively.

## Note 8 — Long-term lease obligations

The Company and certain of its subsidiaries have long-term leases for stores and equipment. Rentals (including for certain leases amounts applicable to taxes, insurance, maintenance, other operating expenses and contingent rentals) under all operating leases were $61,564,000 in 1984, $47,533,000 in 1983 and $32,619,000 in 1982.

Aggregate minimum annual rentals at January 31, 1984, under noncancelable leases are as follows.

| Fiscal years | Operating leases | Capital leases |
|---|---|---|
| 1985 | $ 47,471,000 | $ 43,654,000 |
| 1986 | 47,513,000 | 43,834,000 |
| 1987 | 47,050,000 | 44,298,000 |
| 1988 | 43,703,000 | 44,448,000 |
| 1989 | 42,293,000 | 44,238,000 |
| Thereafter | 489,159,000 | 711,891,000 |
| Total minimum rentals | $717,189,000 | 932,363,000 |
| Less estimated executory costs | | 18,613,000 |
| Net minimum lease payments | | 913,750,000 |
| Less imputed interest at rates ranging from 8.5% to 14.0% | | 567,841,000 |
| Present value of net minimum lease payments | | $345,909,000 |

Certain of the leases provide for contingent additional rentals based on percentage of sales. Such additional rentals amounted to $7,924,000 in 1984, $6,108,000 in 1983 and $4,210,000 in 1982.

Substantially all of the store leases have renewal options for additional terms from five to 15 years at the same or lower minimum rentals.

The Company has entered into lease commitments for land and buildings for 105 future stores. The lease commitments with real estate developers or through sale/leaseback arrangements provide for minimum rentals for 20 to 25 years, excluding renewal options, which if consummated based on current cost estimates would approximate $23,777,000 annually over the lease terms.

## Note 9 — Quarterly financial data (unaudited)

Summarized consolidated quarterly financial data for 1984 and 1983 are as follows:

| | Quarters ended | | | |
|---|---|---|---|---|
| | April 30 | July 31 | October 31 | January 31 |
| **1984** | | | | |
| Net sales | $854,734,000 | $1,098,942,000 | $1,166,594,000 | $1,546,639,000 |
| Cost of sales | 621,547,000 | 805,807,000 | 850,657,000 | 1,140,014,000 |
| Net income | 27,503,000 | 41,475,000 | 42,704,000 | 84,562,000 |
| Net income per share | | | | |
| Primary and fully diluted* | $ .20 | $ .30 | $ .31 | $ .59 |
| **1983** | | | | |
| Net sales | $665,229,000 | $788,705,000 | $827,767,000 | $1,094,551,000 |
| Cost of sales | 472,821,000 | 577,428,000 | 603,123,000 | 804,863,000 |
| Net income | 18,184,000 | 23,763,000 | 26,692,000 | 55,501,000 |
| Net income per share | | | | |
| Primary and fully diluted* | $ .14 | $ .18 | $ .19 | $ .40 |

*Per share data prior to quarter ending July 31, 1983, have been adjusted to reflect the 100% stock dividend paid on July 8, 1983, to holders of Wal-Mart common stock.

Net income for the quarters ended January 31, 1984 and 1983, was increased $1,844,000 ($.01 per share) and $3,815,000 ($.025 per share), respectively, due to adjustment of the estimated inflation rate and other factors used to compute LIFO inventory cost for the first three quarters to the actual data for each of the two years.

## Note 10 — Changing prices (unaudited)

The Financial Accounting Standards Board, Statement #33, Financial Reporting and Changing Prices, requires large public companies to provide information about the effects of general inflation (constant dollar) and other specific price changes (current costs) on the company's financial statements.

In arriving at the net income adjusted to the constant dollars and current costs of the respective years, only the cost of goods sold and depreciation of fixed assets have been adjusted. According to the statement, revenues and all expenses other than cost of goods sold and depreciation are considered to reflect the average price level for the respective year and, accordingly, have not been adjusted.

Since corporations are taxed on historical dollar results without regard for the inflation-created decline in the real value of the dollar, the provision for income taxes has not been adjusted. The effect is to change the effective tax rate from the 45.1% reported in 1984 to 48.3% and 45.0%, respectively, in the constant dollar and current cost calculations.

**Constant Dollar** — The purpose of this presentation is to provide financial information in dollars of equivalent value of purchasing power so revenues for each time period are matched with expenses stated in corresponding units. Amounts adjusted for general inflation shown below were calculated using the Consumer Price Index for all Urban Consumers (CPI-U) as required by the statement. The CPI-U measures the relative price changes in a wide range of commodities which have experienced a much greater rate of inflation than general merchandise. The components which are representative of general merchandise have increased, on the average, during 1984, 1983, 1982 and 1981 by 2.7%, 2.8%, 4.7% and 6.3%, respectively (as reported by the Bureau of Labor Statistics), compared with the 4.1%, 3.8%, 8.4% and 11.7% increases in the CPI-U. Since the CPI-U has been applied to the Company's cost of sales, it does not accurately measure the impact of inflation on the Company. The result is a profit margin substantially below the satisfactory level achieved when using cost of sales dollars from the historical cost financial statements which include a LIFO adjustment derived from application of the BLS index to our inventories.

**Current Costs** — The objective of this method is to reflect the effects of changes in specific prices of the resources actually used in the Company's operation, so that measures of these resources and their consumption reflect the current cost of replacing these resources, rather than the historical cost actually expended to acquire them. The historical cost of sales presented below has not been adjusted since cost of sales on a LIFO basis is generally considered to approximate replacement cost. The theory underlying the LIFO method of inventory accounting rests on the concept of matching current costs with current revenues. The Company currently uses the LIFO method of inventory valuation.

Current cost computations were made separately for each component of fixed assets. For purposes of determining current cost of facilities, the Company utilized the concept of service potential, which represents the assets (excluding operating leases) required to generate the sales volume obtained during the period. For certain items which are not acquired on a continual basis, the Company used published valuation cost indices. For those assets which are acquired or built on a continual basis, current costs are readily available for use in calculating estimated replacement cost. Depreciation expense computations were made utilizing the ratios between historical depreciation expense and historical assets within asset categories, and applying such ratios to asset replacement cost data.

### Statement of Income Adjusted for Changing Prices

*(Dollar amounts in thousands except per share data)*

| | Fiscal year ended January 31, 1984 | | |
|---|---|---|---|
| | Historical dollars | Constant dollars | Current costs (nominal dollars) |
| Revenues | $4,702,940 | $4,702,940 | $4,702,940 |
| Cost of sales | 3,418,025 | 3,433,972 | 3,418,980** |
| Operating, selling and general and administrative expenses | 892,887 | 901,111 | 891,679** |
| Interest costs | 34,881 | 34,881 | 34,881 |
| Provision for income taxes | 160,903 | 160,903 | 160,903 |
| Net income | $ 196,244 | $ 172,073 | $ 196,497 |
| Unrealized gain from decline in purchasing power of net amounts owed*** | | $ 23,584 | $ 23,584 |
| Effects of changing prices on inventories and service potential of property, plant and equipment held during the year | | | |
| Due to specific prices (current cost) | | | $ 2,249 |
| Due to general inflation (constant dollars) | | | 47,563 |
| General inflation over specific prices | | | 45,314 |

### Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (in average 1984 dollars)

*(Dollar amounts in thousands except per share data)*

| | 1984 | 1983 | 1982 | 1981 | 1980 |
|---|---|---|---|---|---|
| Revenues - as reported | $4,702,940 | $3,398,687 | $2,462,647 | $1,655,262 | $1,258,268 |
| - in constant dollars | 4,702,940 | 3,508,851 | 2,688,973 | 1,989,504 | 1,713,946 |
| Net income - as reported | 196,244 | 124,140 | 82,794 | 55,682 | 41,151 |
| - in constant dollars | 172,073 | 110,823 | 70,572 | 49,265 | 36,977 |
| - in current cost | 196,497 | 126,577 | 82,917 | 60,309 | 49,160 |
| Net income per share* - as reported | 1 40 | 91 | 63 | 43 | 33 |
| - in constant dollars | 1.23 | 82 | 54 | 38 | 30 |
| - in current cost | 1 40 | 93 | 62 | .47 | 40 |
| Common stockholders' equity at year end - as reported | 737,503 | 488,109 | 323,942 | 248,309 | 164,244 |
| - in constant dollars | 985,078 | 719,966 | 551,850 | 454,360 | 329,828 |
| - in current cost**** | 893,664 | 661,057 | 549,786 | 446,928 | 370,124 |
| Cash dividends per common share* - as reported | .14 | 09 | 07 | 05 | 04 |
| - in constant dollars | 14 | 09 | 08 | 06 | 05 |
| Market price per common share* - as reported | 35.50 | 23 50 | 10 97 | 7 50 | 4 46 |
| - in constant dollars | 34.83 | 24 01 | 11 63 | 8 62 | 5.73 |
| Average consumer price index | 299 4 | 290 0 | 274 2 | 249 1 | 219 8 |

**Per share data prior to July 8, 1983, have been adjusted to reflect the 100% stock dividend paid on that date*

***Depreciation expense (current cost) for 1984 is $46,463,000, of which $3,130,000 is included in cost of sales.*

****Preferred stock with mandatory redemption provisions has been treated for the above purposes as a monetary liability in the computation of the unrealized gain from decline in purchasing power of net amounts owed*

*****At January 31, 1984, current cost (in 1984 average dollars) of inventories and property, plant and equipment was $858,155,000 and $662,552,000 respectively. At January 31, 1983, current cost (in 1983 average dollars) of inventories and property, plant and equipment was $658,206,000 and $507,198,000, respectively*

# Report of Certified Public Accountants

The Board of Directors and Stockholders
Wal-Mart Stores, Inc.

We have examined the accompanying consolidated balance sheets of Wal-Mart Stores, Inc., and subsidiaries at January 31, 1984 and 1983, and the related consolidated statements of income, common stockholders' equity and changes in financial position for each of the three years in the period ended January 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Wal-Mart Stores, Inc., and subsidiaries at January 31, 1984 and 1983, and the consolidated results of operations and changes in financial position for each of the three years in the period ended January 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

**Arthur Young & Company**

Tulsa, Oklahoma
March 26, 1984

# Responsibility for Financial Statements

To the Shareholders of Wal-Mart Stores, Inc.:

Basic responsibility for the integrity and objectivity of the financial information presented in this Annual Report rests with Management of Wal-Mart Stores, Inc. The financial statements in this report have been prepared in conformity with generally accepted accounting principles. Where necessary and appropriate, certain estimates and judgments have been applied based on currently available information and Management's view of current conditions and circumstances. Management uses the services of specialists within and outside the Company in making such estimates and judgments.

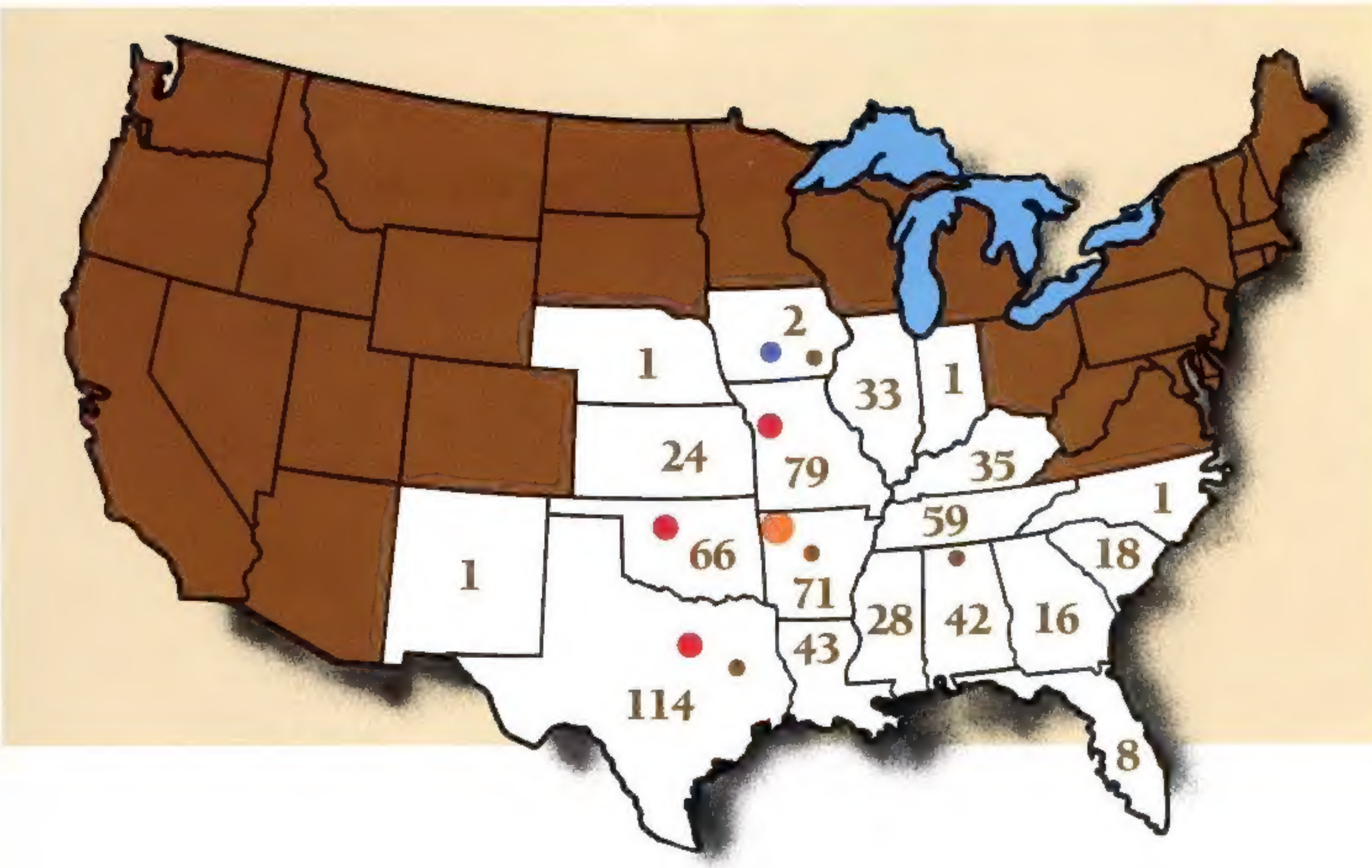
Management maintains a system of accounting and controls to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting records provide a reliable basis for the preparation of financial statements. An important element of the system is a continuing internal audit program.

Management continually reviews, modifies, and improves its systems of accounting and controls in response to changes in business conditions and operations and to recommendations in the reports prepared by the independent public accountants and the internal auditors. Management believes that the accounting and control systems provide reasonable assurance that assets are safeguarded and financial information is reliable.

The Board of Directors, through the activities of its Audit Committee, participates in the process of reporting financial information. The Committee meets with Management, the internal auditors, and representatives of the Company's independent public accountants. In 1983, the Committee held two meetings and reviewed the scope, timing, and fees for the annual audit and the results of audit examinations completed by the internal auditors and independent public accountants, including the recommendations to improve internal controls and the follow-up reports prepared by Management. Representatives of the independent public accountants and the internal auditors both have free access to the Committee and the Board of Directors and attend each meeting of the Committee. The Audit Committee reports the results of its activities to the entire Board of Directors.

Management believes that it is essential for the Company to conduct its business affairs in accordance with the highest ethical standards in conformity with the law.

David D. Glass
Vice Chairman
Chief Financial Officer




Figures indicate number of Wal-Mart stores in each state.

- General office and three distribution centers in Bentonville, Arkansas
- Distribution centers in Mt. Pleasant, Iowa (under construction); Searcy, Arkansas; Palestine, Texas and Cullman, Alabama
- Sam's Wholesale Club units in Grandview, Missouri; Midwest City, Oklahoma and Dallas, Texas
- dot Discount Drug store in Des Moines, Iowa

# 642 Wal-Mart Stores

# Directors

**Ferold G. Arend** [1,2]
President, Retired

**John A. Cooper, Jr.**
President, Cooper Communities, Inc.

**David D. Glass** [1]
Vice Chairman and Chief Financial Officer

**A. L. Johnson**
Executive Vice President-
Merchandise and Sales

**James H. Jones** [2,3]
Banking and Investments

**Robert Kahn** [2]
President, Kahn & Harris, Inc.

**Sidney A. McKnight** [2]
President, Retired,
Montgomery Ward & Company, Inc.

**Jack Shewmaker** [1]
President and Chief Operating Officer

**Donald G. Soderquist** [1]
Executive Vice President-
Administration and Distribution

**Jackson T. Stephens**
President, Stephens Inc.

**James L. Walton** [1,3]
Senior Vice President

**Sam M. Walton** [1,3]
Chairman and Chief Executive Officer

**S. Robson Walton** [1]
Vice Chairman, Secretary and General Counsel

[1]Members of Executive Committee
[2]Members of Audit Committee
[3]Members of Stock Option Committee

# Officers

**Sam M. Walton**
Chairman and Chief Executive Officer

**Jack Shewmaker**
President and Chief Operating Officer

**David D. Glass**
Vice Chairman and Chief Financial Officer

**S. Robson Walton**
Vice Chairman, Secretary and General Counsel

**Thomas Jefferson**
Executive Vice President - Store Operations

**A. L. Johnson**
Executive Vice President - Merchandise and Sales

**Donald G. Soderquist**
Executive Vice President -
Administration and Distribution

**Paul R. Carter**
Senior Vice President - Special Divisions

**Alvin L. Miles**
Senior Vice President - Store Operations

**Harold L. Johnson**
Senior Vice President - Store Operations

**Thomas P. Seay**
Senior Vice President - Real Estate and Construction

**James L. Walton**
Senior Vice President

**B. D. Adams**
Vice President - Store Operations

**Dwight A. Carney**
Vice President - Merchandise Planning

**Thomas M. Coughlin**
Vice President - Personnel

**Larry W. Dimmit**
Vice President - Division Merchandise Manager,
Softlines

**Bill Fields**
Vice President - General Merchandise Manager,
Homelines

**Kenneth Folkerts**
Vice President - Treasurer

**Steve Furner**
Vice President - Store Operations

**H. "Mac" Gammon**
Vice President - Store Operations

**David H. Gorman**
Vice President - Loss Prevention

**Harry S. Green**
Vice President - Store Operations

**Michael J. Guccione**
Vice President - General Manager, Jewelry Division

**Glenn L. Habern**
Vice President - Data Processing

**Robert L. Hart**
Vice President - Store Operations

**Joseph P. Hatfield**
Vice President - Advertising and Sales Promotion

**William L. Hutcheson**
Vice President - General Manager, Shoe Division

**Ronald L. Loveless**
Vice President - General Manager,
Sam's Wholesale Club

**Duane G. Naccarato**
Vice President - Store Planning

**Gary D. Reinboth**
Vice President - Store Operations

**Charles Russell**
Vice President - Store Operations

**Dean L. Sanders**
Vice President - General Merchandise Manager,
Hardlines

**Duane C. Schue**
Vice President - Construction and Engineering

**H. Lee Scott, Jr.**
Vice President - Transportation

**Charles E. Self**
Vice President - Controller

**Lew Skelton**
Vice President - Store Operations

**Gary L. Smith**
Vice President - Store Operations

**D. Ray Thomas**
Vice President - Store Operations

**Colon Washburn**
Vice President - General Merchandise Manager,
Apparel

**Nick White**
Vice President - Division Merchandise Manager,
Hardlines

**Vincent P. Carney**
Assistant Controller

**Daniel L. Davies**
Assistant Controller

**Bette Hendrix**
Assistant Secretary

**Charles R. Rateliff**
Assistant Treasurer

# Corporate Information

**Registrar and Transfer Agent —**
Common and Preferred Stock:
Centerre Trust Company of
St. Louis
510 Locust Street
St. Louis, Missouri 63178

**Certified Public Accountants**
Arthur Young & Company
4300 One Williams Center
Tulsa, Oklahoma 74172

**Listing**
New York Stock Exchange Symbol:
WMT - Common Stock
WMT-A - Preferred Stock

**Corporate Headquarters**
Wal-Mart Stores, Inc.
Post Office Box 116
Bentonville, Arkansas 72712
Telephone: 501/273-4000

**Annual Meeting**
The Annual Meeting of Shareholders of Wal-Mart Stores, Inc., will be held on Friday, June 8, 1984, at 10:00 A.M. in the Auditorium, Bentonville High School, Bentonville, Arkansas.

**Investors' Inquiries - Form 10-K Report**
A copy of the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1984, as filed with the Securities and Exchange Commission, may be obtained without charge by writing to:
Bette Hendrix
Assistant Secretary
Wal-Mart Stores, Inc.
Post Office Box 116
Bentonville, Arkansas 72712

Wal-Mart Stores, Inc., Bentonville, Arkansas 72712